business. Does this knock them out of business? Does this knock them way down? Every company that is any competition has this risk. I was just looking at the reports on the manufacturers of sugar pops and Wheaties and corn flakes, and so forth. Almost every month, General Mills or Kellogg or somebody else is coming out with a new cereal and somebody's frosty flakes are knocked out by somebody's sugar pops. It is going on all the time. When you look at the stuff they are putting out now as compared with what they did when we were kids, you can see that they are doing it right along. It is all in the same business and going up and down just like the drug companies. But the company, General Mills, is doing right well; so is Kellogg.

Dr. MARKHAM. Let me make it clear that I am not making any presentation here, Senator Nelson, whatsoever, that the drug industry is the only industry that confronts this kind of risk. Later on, I try to show the unique magnitude, or rather the magnitude of this risk and that it does have a certain element of uniqueness when applied to the drug industry, but it certainly is not a risk that the drug industry alone confronts. No one is making that claim here.

Senator NELSON. That is what I want to make clear for the record.

Dr. MARKHAM. Nor am I trying to assert here that the drug industry is the only risk industry in the economy. The chart you have just had given to you there will document in my mind fairly conclusively that other industries have high risk as well. The point that has been documented is that, in general, the rate of return and the industry risk tend to be strongly correlated. But that is not only the drug industry. There are 59 points on that chart from which that particular line was made. And there are many other industries that fall on the risk scale as well.

Senator NELSON. I was listening to your statement. That is why I raised the question about your point that "we have, with reasonable certainty, identified the following as major risks somewhat peculiar in this regard to the pharmaceutical industry."

The word "peculiar" itself means unique. It means somewhat rare in my opinion.

Dr. MARKHAM. It is somewhat rare in that all these five, plus some others, converge at the same time in this industry. I would not make any presentation to you that the drug industry is the only industry that suffers from product competition.

Senator NELSON. Then you will submit evidence showing the impact of the introduction of new drugs upon the profits of firms manufacturing less effective but comparable older drugs. I do not think select handful mean anything. If it is a factor that produces a high risk industry, it must be a factor that is burdening them all the time and has been in the past with considerable frequency. If it is in the range of frequency for a number of other industries, I do not see that it is peculiar to this industry.

Dr. MARKHAM. I am arguing that it has peculiar impact, and that is one of the points I am going to try to document, Senator.

Again, I can simply repeat that I am not trying to urge on you here that the drug industry is the only industry that suffers from or encounters severe competition from new products. I agree with you about the cereal industry; occasionally also in new models in automobiles.

In response to your request that I submit to you additional informa-